

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01

PA-01 PRS-01 L-02 H-02 /080 W

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R 120837Z MAY 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3254

INFO AMEMBASSY SEOUL

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ZINMAN

E.O. 11652: ADS, DECLAS 11/12/75

TAGS: EAID, EFIN, KS

SUBJECT: INCREASE IN AUTHORIZED CAPITAL STOCK AND INCREASE
IN CAPITAL SUBSCRIPTION OF REPUBLIC OF KOREA

SUMMARY: GOVERNMENT OF KOREA HAS REQUESTED INCREASE
IN ITS CAPITAL SUBSCRIPTION, WHICH WOULD INCREASE
KOREA'S HOLDING FROM 4.725 PERCENT TO 7.388 PERCENT
OF TOTAL SUBSCRIBED CAPITAL. PRESIDENT RECOMMENDS
REQUEST BE ACCEPTED AND THAT BANK'S AUTHORIZED
CAPITAL STOCK BE INCREASED TO ACCOMMODATE PROPOSED
ADDITIONAL SUBSCRIPTION. NAC GUIDANCE IS REQUESTED.

1. ADB DOC. R46-75 ON ABOVE SUBJECT POUCHED MAY 9.
BOARD CONSIDERATION SCHEDULED MAY 29.

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2. IN LETTER DATED APRIL 22, 1975, GOVERNMENT OF

KOREA REQUESTED ADDITIONAL CAPITAL SUBSCRIPTION OF 7,000 SHARES, WHICH AMOUNT TO \$70,000,000 (IN 1966 US DOLLARS) AT PAR VALUE OF \$10,000 PER SHARE. PARA 3 OF ART. 5 OF ADB CHARTER PROVIDES THAT BOARD OF GOVERNORS SHOULD PAY SPECIAL REGARD TO REQUESTS FOR CAPITAL INCREASE BY REGIONAL MEMBER WITH LESS THAN SIX PERCENT OF SUBSCRIBED CAPITAL. KOREA'S PRESENT SHARES TOTAL 11,500 SHARES, CONSISTING OF 3,000 SHARES OF ORIGINAL CAPITAL, 4,500 SHARES OF CAPITAL INCREASE UNDER RESOLUTION NO. 46, AND 4,000 SHARES PURSUANT TO RESOLUTION NO. 55 (KOREA'S FIRST SPECIAL CAPITAL INCREASE). 11,500 SHARES REPRESENT 4.725 PERCENT OF TOTAL SUBSCRIBED CAPITAL OF 243,391 SHARES.

3. IN AGGREGATE, SHAREHOLDINGS OF MEMBER CONTRIBUTIONS TO ORIGINAL CAPITAL SUBSCRIPTION AND CAPITAL INCREASE COMPRISE 32 PERCENT PAID-IN SHARES AND 68 PERCENT CALLABLE SHARES. OF PAID-IN PORTION, 46.25 PERCENT IS PAYABLE IN GOLD OR CONVERTIBLE CURRENCY AND 53.75 PERCENT IN NATIONAL CURRENCY. BANK RECOMMENDS (AND KOREA IS AGREEABLE TO) APPLYING SAME PROPORTIONS TO KOREA'S PROPOSED ADDITIONAL SUBSCRIPTION. THUS, THERE WOULD BE 2,240 PAID-IN SHARES AND 4,760 CALLABLE SHARES (EQUIVALENT TO \$22.4 MILLION AND \$47.6 MILLION RESPECTIVELY), WITH \$10.36 MILLION PAYABLE IN GOLD OR CONVERTIBLE CURRENCY AND \$12.04 MILLION PAYABLE IN KOREAN NATIONAL CURRENCY. WITH ADDITIONAL SUBSCRIPTION OF 7,000 SHARES, SHARE HOLDING OF KOREA WOULD REPRESENT 7.388 PERCENT OF TOTAL SUBSCRIBED CAPITAL STOCK. SUBSCRIPTION PAYMENTS WOULD BE IN FOUR EQUAL ANNUAL INSTALLMENTS, I.E., SIMPLE AVERAGE OF TWO PAYMENT PERIODS UNDER ORIGINAL CAPITAL SUBSCRIPTION AND CAPITAL INCREASE.

4. PRO-FORMA STATEMENT OF VOTING POWER BASED ON PROPOSED CAPITAL INCREASES BY MALAYSIA AND KOREA SHOWS THAT HOLDINGS OF THESE TWO MEMBER COUNTRIES WILL INCREASE TO 3.620 PERCENT AND 6.283 PERCENT RESPECTIVELY. PRO-FORMA US POSITION WOULD BE 6.753 PERCENT, AS LIMITED OFFICIAL USE

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COMPARED TO 6.679 PERCENT NECESSARY FOR A NON-REGIONAL MEMBER TO RETAIN A DIRECTOR'S CHAIR WITHOUT SHARING IT WITH OTHER MEMBERS.

5. TO MEET PROPOSED ADDITIONAL SUBSCRIPTIONS, BANK PROPOSES TO INCREASE AUTHORIZED CAPITAL, AS NO PORTION OF PRESENT UNSUBSCRIBED CAPITAL IS AVAILABLE FOR THIS PURPOSE. ATTACHED TO DOC. R16-75 IS DRAFT

REPORT OF BOARD OF DIRECTORS TO GOVERNORS RECOMMENDING
(A) INCREASE IN BANK'S AUTHORIZED CAPITAL BY 7,000
SHARES AND (B) ACCEPTANCE OF KOREA'S APPLICATION FOR
CAPITAL INCREASE ON TERMS AND CONDITIONS MENTIONED
ABOVE AND SPELLED OUT IN DRAFT RESOLUTION. CABLE VOTE
OF GOVERNORS WOULD BE REQUESTED ON OR BEFORE 31 DAYS AFTER
DATE ON WHICH PRESENT TRANSMITS TEXT OF RESOLUTION TO
GOVERNORS. NAC GUIDANCE IS REQUESTED.
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